

ORIGINAL

Before the
Federal Communications Commission
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

In the Matter of)
)
Amendments to Uniform System of)
Accounts for Interconnection)

CC Docket No. 97-212

RECEIVED

JAN 26 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

REPLY COMMENTS OF BELL ATLANTIC¹

As several of the parties documented in their comments, the Commission's objectives in this proceeding can all be met using existing accounts, without adding another layer of cost studies and other unnecessary regulatory requirements.

By contrast, the parties that seek to pile more accounting and record-keeping burdens on local exchange carriers ("LECs") fail to show how adding new accounts for new categories of services is consistent with either the functional, rather than service, basis of the Uniform System of Accounts, Part 32 of the Commission's Rules, or with the deregulatory thrust of the 1996 Act. Despite their thinly-veiled goal of seeking to impose increased regulatory burdens on their competitors, they are unable to show how increased regulation will serve the public interest, nor can they demonstrate how new,

¹ The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

No. of Copies rec'd
List ABCDE

0211

detailed accounting will allow the Commission to fulfill its own goals established for this proceeding.²

Instead of prescribing new accounts, the Commission should simply require all carriers that are subject to Part 32 to use the same existing accounts for interconnection and unbundled network elements, to insure uniformity. It can obtain from those accounts the relevant data that will enable it to monitor the development of competition and incumbent LEC performance. There is also no need for special cost studies to determine the costs of interconnection or network elements. Instead, by recording costs and revenues at equal levels for the purpose of Part 32 accounting, costs and revenues will offset each other and have no effect on rates.³

ARGUMENT

The LECs have shown in their comments how the Commission can meet the goals it has established in this proceeding,⁴ to the extent that they are relevant goals for an accounting system, through use of existing accounts in a manner consistent with the functional nature of Part 32. They show that the Commission previously studied use of service-based, rather than functional, accounts when it was considering how to revise

² *See, e.g.*, Comments of MCI Telecommunications Corporation ("MCI"); Comments of Cox Communications, Inc.; Comments of General Communication, Inc.

³ LECs would still have the right to recover their embedded costs to the extent that such costs are not reflected in the rates for interconnection or unbundled network elements.

⁴ These are listed in the *Notice of Proposed Rulemaking*, FCC 97-355, at ¶ 6 (rel. Oct. 7, 1997) and summarized in the discussion below.

the Uniform System of Accounts and rejected that approach as too complex to administer, cost prohibitive, and unstable.⁵

The Commission's first goal, uniformity in reporting, can be achieved by making sure that all LECs use the same existing accounts to report interconnection and unbundled network element costs and revenues.⁶ In fact, the record shows that most incumbent LECs already account for interconnection costs and revenues on a uniform basis, so that the Commission need only confirm that such accounting is appropriate.⁷

The second and fourth goals are intended to give the Commission access to relevant information to enable it to monitor the development of competition and incumbent LEC performance. The information reasonably needed for those purposes can

⁵ *Revision of the Uniform System of Accounts and Financial Reporting Requirements for Class A and Class B Telephone Companies Parts 31, 33, 42, and 43 of the FCC's Rules, Further Notice of Proposed Rulemaking*, 100 F.C.C. 2d 480, 482, ¶ 7 (1985). The Commission ultimately adopted Part 32 as a functional accounting system. *See* Comments of SBC Communications Inc. at 3-4 ("SBC"), Comments of Ameritech on Notice of Proposed Rulemaking at 6-7, Comments of GTE Service Corporation at 3 ("GTE"), Comments of Bell Atlantic at 4-6 ("Bell Atlantic").

⁶ BellSouth suggested that the Commission issue a Responsible Accounting Officer Letter to specify the existing accounts that LECs should use. Comments of BellSouth at 5 ("BellSouth").

⁷ *See, e.g.*, BellSouth at 3, SBC at 5, Comments of the United States Telephone Association at 5 ("USTA") (citing an earlier letter which proposed uniform accounts that LECs could use).

be obtained as easily using existing accounts as it would using new accounts, and most of the information is already available, as several commenters point out.⁸

As several parties show, the third Commission goal, preventing cross-subsidization, is not a relevant role of an accounting system.⁹ Part 32 is designed to record investment, expenses, and revenues by broad functional categories. It has never been the role of the Uniform System of Accounts to allocate joint and common costs among services -- the rules for such allocation appear in Part 64 -- or to calculate the cost of providing any individual service -- that is a issue to be considered during the tariff review process in the applicable jurisdiction. Moreover, the numerous special studies that would be required to isolate the cost of each unbundled network element or interconnection service would constitute an unnecessary and intrusive burden which has little support. Under the Act, jurisdiction over rates for interconnection and unbundled network elements is given exclusively to the states, so there is no statutory basis for the Commission to require its own cost studies to determine the lawfulness of those rates.

Finally, the Commission should reject MCI's argument that all embedded costs associated with facilities purchased by new entrants should be removed from the LECs' rate base.¹⁰ This claim has no relevance to this proceeding, which has nothing to

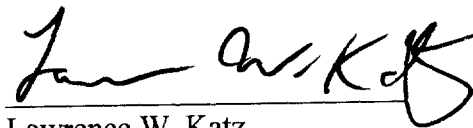
⁸ *See, e.g.*, Ameritech at 4-5, GTE at 8-9, SBC at 18-20, Bell Atlantic at 6. The Commission should likewise deny requests to add still more new service-based accounts. *See* Comments of the Staff of the Washington Utilities and Transportation Commission at 2 (universal service revenue), Amended Comments of the Public Utilities Commission of Ohio at 14 (collocation costs and revenue).

⁹ *See, e.g.*, Ameritech at 4-5, BellSouth at 12, SBC at 10-11.

¹⁰ *See* MCI at 2-4.

do with cost recovery or rate levels. In any event, the Commission may not constitutionally disallow costs that were reasonably incurred to provide regulated telecommunications services .

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "Lawrence W. Katz", written over a horizontal line.

Lawrence W. Katz

Michael E. Glover
Of Counsel

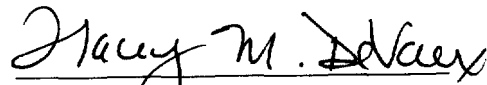
1320 North Court House Road
8th Floor
Arlington, Virginia 22201
(703) 974-4862

Attorney for the Bell Atlantic
Telephone Companies

January 26, 1998

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of January, 1998 a copy of "Reply Comments of Bell Atlantic" was served on the parties on the attached list.


Tracey M. DeVaux

Matthew Vitale*
Accounting and Audits Division
Common Carrier Bureau
2000 L Street, NW
Room 200 F
Washington, DC 20036

ITS, Inc.*
1919 M Street, NW
Room 246
Washington, DC 20554